



# Accounting Brief

## Q1 2026 IEEPA tariff reporting considerations

### Table of Contents

<b>1</b>	<b>Courts, Customs and CAPE.....</b>	<b>1</b>
1.1	Legal status of CIT orders.....	1
1.2	CAPE tool.....	1
<b>2</b>	<b>Tariff refund receivables .....</b>	<b>2</b>
2.1	Gain contingency model .....	2
2.2	Loss recovery model .....	2
<b>3</b>	<b>Monetization of tariff refund rights .....</b>	<b>3</b>
<b>4</b>	<b>Vendor-customer contracts .....</b>	<b>5</b>

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### Summary

On April 20, 2026, U.S. Customs and Border Protection (CBP) launched Phase 1 of its new Consolidated Administration and Processing of Entries (CAPE) tool, which is designed to process refund requests for duties paid under International Emergency Economic Powers Act (IEEPA) tariffs.

CBP estimates that valid IEEPA refunds will generally be issued within 60 to 90 days following CBP's acceptance of a refund request. Based on that timeline, refunds are generally not expected to be issued until after the U.S. government's deadline to appeal the court order requiring CBP to process IEEPA refunds.

This publication describes the Phase 1 release of CAPE; expectations for subsequent phases of CAPE; and financial reporting considerations related to potential tariff refunds, monetization of tariff refund rights, and follow-on impacts of tariff refunds, including the accounting by vendors for potential tariff-related refunds to customers.

This publication is an update to, and should be considered in combination with, our March 2026 Accounting Briefs, [Financial reporting implications of tariffs](#) and [Update on potential tariff refunds](#).

# 1 Courts, Customs and CAPE

Since the U.S. Supreme Court issued its February 2026 decision invalidating tariffs imposed under IEEPA, the U.S. Court of International Trade (CIT) has issued orders directing CBP to process customs entries without regard to IEEPA duties. Given significant challenges related to processing refunds at scale using existing system functionality, the CIT effectively granted CBP time to develop a process and systems to comply with the CIT orders.

On April 20, 2026, CBP launched Phase 1 of its new CAPE tool within the Automated Commercial Environment (ACE) Portal. Phase 1 of CAPE is designed to process refund requests for duties paid under IEEPA tariffs for certain unliquidated entries and certain entries within 80 days of liquidation. Subsequent phases of CAPE are expected to address other entries. See our Accounting Brief, [Update on potential tariff refunds](#), for a detailed discussion on the various stages of the tariff liquidation process.

## 1.1 Legal status of CIT orders

On March 4, 2026, the CIT issued its first order directing CBP to process customs entries for which “liquidation is not final” without regard to IEEPA duties, which would result in IEEPA tariff refunds. That order was subsequently extended to include customs entries for which liquidation is final.

While the U.S. government had 60 days to appeal the CIT order, the plaintiff in the related case before the CIT subsequently requested and was granted a dismissal of its case without prejudice. The CIT selected a new lead case for IEEPA refund litigation, Euro-Notions Florida, Inc. v. CBP et al. (Euro-Notions), and issued a new order in that case on April 7, 2026, with the same requirements for CBP to process all customs entries without regard to IEEPA duties. The dismissal of the original case and issuance of a new order restarts the clock on the U.S government’s deadline to appeal, which is now June 8, 2026.

On April 20, 2026, the CIT issued a stay in the Euro-Notions case after granting a motion by the International Trade Surety Association (ITSA) to appear as amicus curiae. In the related amicus curiae brief, ITSA argued that sureties should be included in the CBP’s IEEPA tariff refund process, rather than limiting the process to importers of record. Despite the stay in the Euro-Notions case, CBP has continued accepting refund requests through Phase 1 of CAPE.

Since the date of its initial order, the CIT has required CBP to provide regular updates, with the most recent CIT order requiring CBP to file a report on the progress made in Phase 1 of CAPE by April 28, 2026. The stay issued on April 20, 2026, did not impact the order for CBP to provide the progress update on April 28, 2026.

## 1.2 CAPE tool

Importers of record (or authorized customs brokers that filed the entries on behalf of the importers of record) can request IEEPA tariff refunds by filing a CAPE Declaration, which consists of the list of entries for which refunds are being requested. CBP has published instructions on how to file a CAPE Declaration on its [website](#).

Once CBP validates and accepts the CAPE Declaration, the CAPE process removes IEEPA-specific harmonized tariff schedule (HTS) codes from entries and re-calculates duties without those IEEPA tariffs. Updated entries will continue to be subject to CBP review for compliance with all customs requirements. Following CBP review, entries will be liquidated or reliquidated and refunds will be consolidated for the importer of record by liquidation date. In a recent order, the CIT emphasized that importers should be aware that, by voluntarily using CAPE, any IEEPA cash deposits will be available to offset amounts owed with respect to other duties.

CBP estimates that valid IEEPA refunds will generally be issued within 60 to 90 days following acceptance of the CAPE Declaration, unless a compliance concern requires further CBP review.



Phase 1 of CAPE is focused on the least complicated entries, covering certain unliquidated entries and certain entries within 80 days of liquidation. More complicated entries are expected to be addressed in subsequent phases of CAPE, including:

- Entries that have been flagged for reconciliation
- Entries designated on drawback claim
- Entries covered by an open protest
- Entries not filed in ACE and entries without a liquidation status in ACE
- Certain entries subject to anti-dumping or countervailing duties

## 2 Tariff refund receivables

Importers of record that have paid duties under IEEPA tariffs should carefully consider all relevant facts and circumstances to determine whether and when to recognize a receivable for tariff refunds and the appropriate classification and presentation of such refunds. In light of the launch of Phase 1 of CAPE, the following discussion expands upon the guidance in our Accounting Brief, [Financial reporting implications of tariffs](#), regarding two acceptable alternatives to account for potential refunds by analogy to other GAAP—the gain contingency model under Accounting Standards Codification (ASC) 450-30, *Contingencies – Gain Contingencies*, and the loss recovery model under ASC 410-30, *Asset Retirement and Environmental Obligations – Environment Obligations*. Once an entity adopts an accounting policy, it is required to consistently apply that policy under ASC 250, *Accounting Changes and Error Corrections*, unless it changes to a preferable accounting policy.

### 2.1 Gain contingency model

Under an analogy to the gain contingency model in ASC 450-30, the IEEPA tariff refunds or related receivables should not be recognized in the financial statements until they are effectively realized or realizable. Entities should continue to monitor facts and circumstances to determine whether conditions supporting realizability of refund payments have been met. We believe recognition of a refund receivable under the gain contingency model would generally be appropriate when CBP has acknowledged the amount to be refunded and the U.S. government has either asserted its intention to not appeal the CIT order or its ability to appeal the order has been exhausted or has expired.

Under the gain contingency model, developments after the reporting period, including receipt of a refund or other events indicating a refund is realizable, would not be recognized subsequent events as of the end of the reporting period under ASC 855, *Subsequent Events*. However, such nonrecognized subsequent events may be of such a nature that they must be disclosed to keep the financial statements from being misleading.

When applying the gain contingency model, entities should also provide adequate disclosure of the contingency per ASC 450-30-50-1, exercising care to avoid misleading implications as to the likelihood of realization.

### 2.2 Loss recovery model

ASC 410-30 provides guidance on accounting for environmental remediation liabilities, including the accounting for potential recoveries from insurers, the government and other third parties of amounts expended for environmental remediation. In practice, this loss recovery model has been analogized to in other similar situations, including in Emerging Issues Task Force 01-10, *Accounting for the Impact of the Terrorist Attacks of September 11, 2001*, which applied this model by analogy when developing guidance on the timing of recognition of insurance recoveries of losses and costs incurred as a result of the September 11 events.

Under an analogy to the loss recovery model in ASC 410-30, an entity would recognize a receivable for IEEPA tariff refunds when receipt of a refund is deemed probable. Per ASC 410-30-35-9, if the claim for

recovery is the subject of litigation, a rebuttable presumption exists that realization of the claim is not probable, so entities should carefully consider any appeal or potential appeal of the CIT order when assessing probability. In assessing whether a refund of tariffs paid under IEEPA is probable, an entity should assess its intent and ability to comply with the mechanisms established by CBP to process refund requests, including the validity of its claims for refunds. The assistance of qualified legal counsel may be necessary to assist an entity with these assessments.

The amount of a probable recovery is measured based on available information and the specific situation and is limited to the amounts expended, which we believe would include all costs incurred regardless of whether such costs were expensed or capitalized and remain on the balance sheet. Currently, the CIT order requires CBP to refund all duties paid under IEEPA tariffs, but there is ongoing uncertainty related to the timing of refunds and any potential appeal of the CIT order. Additionally, while the loss recovery model in ASC 410-30 includes guidance on when a probable recovery should be measured at its undiscounted amount, the CBP has acknowledged that applicable law requires any validated refund of IEEPA duties to include interest, so we believe that a recognized IEEPA tariff refund receivable should be based on the undiscounted amounts paid. Any recovery in excess of amounts expended (e.g., interest) would be treated as a gain contingency not recognized until realized or realizable.

Under the loss recovery model, we believe the February 2026 Supreme Court ruling established a legal basis for importers to pursue IEEPA tariff refunds and that, after that ruling, developments after the reporting period that indicate IEEPA tariff refunds are probable represent additional evidence about conditions that existed as of the date of the balance sheet and therefore would be recognized subsequent events as of the end of the reporting period under ASC 855. For example, if an entity preparing financial statements for the quarter ended March 31, 2026, concludes that IEEPA tariff refunds are probable based on developments at the CIT and CBP after quarter-end but before the financial statements are issued, the entity would recognize the tariff refund receivable as of March 31, 2026.

### 3 Monetization of tariff refund rights

Given the ongoing legal uncertainties related to IEEPA tariffs and the potential for delays in obtaining some or all related refunds, some entities may consider entering into arrangements to monetize their rights to refunds. The details of such arrangements may vary but typically involve an importer receiving a lump sum payment from a third-party investor in exchange for a non-recourse right to any cash flows the importer receives for refunds of IEEPA duties. The investor assumes the risk that refunds are delayed or that appeals or procedural hurdles reduce or eliminate recovery. While these arrangements require careful legal consideration, we understand that despite having “transferred” or “sold” refund rights to the investor, the importer of record (or its authorized customs broker) that paid IEEPA duties would continue to be the only party with a legal claim against the U.S. government.

U.S. GAAP does not specifically address the accounting for these monetization arrangements and the form of the arrangements may vary, so entities should consider the accounting impacts of their specific facts and circumstances. Some of the relevant accounting considerations may include:

#### **Is immediate income recognition appropriate?**

We believe that prior to recognition of a refund receivable, immediate recognition of income upon monetizing tariff refund rights would not be appropriate, even if the rights are sold without recourse to the importer.

After recognition of a refund receivable, where the receivable is not a financial asset in the scope of ASC 860 (see below), and where the importer of record remains the only entity that has a refund claim against the U.S. government, we believe that control over the refund right has not transferred to the third-party investor and therefore the monetization arrangement would not qualify for derecognition under ASC 610-20, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets*.

In practice, we observe that entities that enter into transactions to monetize their IEEPA tariff refund rights generally apply the guidance on “Sales of Future Revenues or Various Other Measures of Income” in

ASC 470-10, *Debt – Overall*, by analogy. That guidance assumes that immediate income recognition is not appropriate due to the facts and circumstances in arrangements where an entity receives cash from an investor and agrees to pay to the investor an amount of the revenue or other measure of income generated from a contractual right.

### **Should the arrangement be accounted for as a financing?**

In practice, we observe that entities that enter into transactions to monetize their IEEPA tariff refund rights generally recognize the transaction as a financing, with accretion of the initial amount recorded as interest expense, by analogy to the guidance on sales of future revenues in ASC 470-10, *Debt – Overall*. There may also be guidance other than ASC 470-10 that would be acceptable to apply by analogy.

When applying ASC 470-10 by analogy, we believe these monetization arrangements should be accounted for as financings due to the importer's continuing involvement (e.g., the obligation to perform any administrative procedures necessary to collect and remit any potential refunds to the investor) and implicit limits on the investor's rate of return.

Under ASC 470-10, amounts recorded as debt are amortized under the interest method in ASC 835-30. Accordingly, the importer is required to determine an effective interest rate based on the IEEPA refund expected to be collected and remitted to the investor. If the importer does not expect the government to refund previously paid tariffs, the liability typically would remain unchanged until it is legally extinguished under ASC 405, *Liabilities – Extinguishments of Liabilities*. As such, entities should consider the guidance in ASC 405-20-40-1 to determine whether the arrangement includes terms that could result in derecognition of the liability in the future, including in scenarios where IEEPA tariff refunds are not received.

### **Does the arrangement include a derivative?**

The contract between the importer of record and third-party investor may be a derivative in the scope of ASC 815, *Derivatives and Hedging*, or may contain an embedded derivative required to be accounted for separately under ASC 815-15. To the extent the contract includes a derivative in the scope of ASC 815, the importer would apply derivative accounting, adjusting the liability to fair value every reporting period, rather than applying ASC 470-10 by analogy. In assessing the scope of ASC 815, entities should consider the potential impact of early adopting the amendments in ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract*, which exclude from derivative accounting non-exchange-traded contracts with underlyings that are based on operations or activities specific to one of the parties to the contract. The amendments in ASU 2025-07 are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods, but early adoption is permitted.

### **Is the arrangement a transfer of financial assets?**

The ASC Master Glossary defines a financial asset as “[c]ash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

- a. Receive cash or another financial instrument from a second entity or
- b. Exchange other financial instruments on potentially favorable terms with the second entity.”

Because tariffs do not result from contractual arrangements, but rather result from imposition of law, an anticipated refund does not represent a financial asset. However, we believe an IEEPA tariff refund receivable would represent a financial asset when it results from a court-ordered legal settlement (such as what has been ordered by the CIT) and the payment terms have been defined and confirmed by CBP. Generally, this would correspond with the timing of when a receivable would be recognized under a gain contingency model.

An entity that has monetized tariff refund rights that meet the definition of a financial asset would be required to consider the guidance in ASC 860, *Transfers and Servicing*, to determine whether it should derecognize the receivable.

Tariff refund rights that do not meet the definition of a financial asset at the time of monetization may subsequently meet the definition of a financial asset. When a transferor has continuing involvement with the transferred asset, ASC 860 requires the accounting for the transferred asset to be periodically reassessed to determine whether a transfer previously treated as a secured borrowing should now result in derecognition (i.e., sale accounting) and vice versa. However, because the original monetization of tariff refund rights was beyond the scope of ASC 860, we believe it would be acceptable to continue to account for the arrangement under the previously applied accounting model (e.g., ASC 610-20 and ASC 470-10) to the extent appropriate under that accounting model.

## 4 Vendor-customer contracts

Vendors and customers affected by tariffs often employ multiple strategies to mitigate the impact of these tariffs on their financial results. For example, some importers of record negotiate with foreign suppliers for the suppliers to reimburse the importer for any customs duties paid. Additionally, some importers may utilize cost-plus contracts or other price adjustment clauses within revenue contracts through which the cost of tariffs paid by the importer flow directly into the transaction price paid by the importer's customer. Depending on the nature of these contractual clauses, entities may be required to pass through some or all of tariff refunds to their customers or vendors.

Entities should first determine whether they have a contractual obligation to refund tariff-related costs to customers or vendors. If refunds are not contractually required, entities should determine whether they have an implicit obligation to provide refunds to customers, including through an implicit price concession based on customary business practices, public statements or implied promises. If an obligation to provide tariff refunds arises as a result of a change to the existing contract, an entity should apply the guidance in ASC 606, *Revenue from Contracts with Customers*, on contract modifications.

Vendors should apply the guidance in ASC 606-10-32-5 through 32-14 regarding variable consideration and ASC 606-10-32-27 regarding consideration payable to a customer when determining how to account for potential refunds to customers. Under that guidance, an entity should recognize consideration payable to a customer as a reduction of the transaction price at the later of the time the entity recognizes related revenue or pays or promises to pay the consideration (even if the payment is conditional on a future event). In assessing whether the entity has promised to provide IEEPA tariff refunds to customers, the entity should consider its specific facts and circumstances, including whether it has an obligation to pursue IEEPA tariff refunds.

To the extent that an entity has an existing legal obligation to refund amounts received from customers under a price-adjustment or similar clause, it should apply the guidance in ASC 606-10-32-10, which states in part:

An entity shall recognize a refund liability if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled (that is, amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) shall be updated at the end of each reporting period for changes in circumstances.

The application of this guidance could potentially result in the recognition of a refund liability under ASC 606 prior to recognition of an IEEPA tariff refund receivable.

Additionally, some entities may choose to effectively pass through some or all tariff refunds to customers through a variety of methods, including offering discounts on future sales to impacted customers. Entities should carefully consider all relevant facts and circumstances to determine whether an arrangement represents consideration refunded from a prior contract or an adjustment to the transaction price of a future contract. To the extent an adjustment to the transaction price of a future contract results in

expected losses on that contract, entities should determine whether the contract is in the scope of any industry- or transaction-specific requirements in GAAP for expected losses, including but not limited to guidance on provisions for losses on construction- and production-type contracts (ASC 605-35), recognition of losses on firm purchase commitments related to inventory (ASC 330-10-35-17 through 35-18), and accounting for loss contingencies (ASC 450-20). If not in the scope of this guidance, a loss on the contract is not recognized until the loss is actually incurred.

Customers that did not pay IEEPA tariffs as the importer of record but receive a refund from a vendor should account for the payment received under ASC 705-20, *Cost of Sales and Services – Accounting for Consideration Received from a Vendor*.

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